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# THE SAN FRANCISCO BayGuardian

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# DOWNTOWN HIGHRISES:

## The monsters that ate 12,000 jobs

A new Bay Guardian study by an MIT economist shows that as highrises have gone up, downtown San Francisco has lost jobs. In fact, all the net new jobs in the city have come from new and small businesses in light industrial areas and the neighborhoods.



GUARDIAN GRAPHIC BY SIEGFRIED GATTY

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# The highrise jobs myth: 1965-1986, R.I.P.

**A new Bay Guardian study shows that San Francisco lost 12,000 jobs downtown during the biggest highrise boom in history. The inescapable conclusion: downtown development does not create jobs.**

BY TIM REDMOND

**E**mployment in downtown San Francisco dropped dramatically during the biggest highrise office development boom in the city's history, a new Bay Guardian study shows.

The study, by Massachusetts Institute of Technology economist David Birch, reveals that the city's Financial District suffered a net loss of more than 12,000 jobs between 1981 and 1985. In the lower South of Market region, where much of the new highrise building is now taking place, employment also declined, by more than 7,000 jobs, during the study period.

Positive net job growth occurred only in light industrial and neighborhood commercial areas, the study showed.

In the 342-page study, the first of its kind ever done on a major American city, Birch analyzed job growth by dividing the city into four regions, along postal Zip Code lines. Computerized employment and other business data was supplied by the U.S. Department of Commerce and Dun and

Bradstreet Inc. Birch said the study represents an accurate survey of between 85% and 90% of all the legitimate businesses in San Francisco.

This is the second of two Birch studies commissioned by the Bay Guardian. Last year, Birch analyzed employment growth citywide, showing

that small, locally owned independent businesses were responsible for all the net job growth in the city since 1980. The second study, completed earlier this month, takes the analysis a step further, demonstrating conclusively that the overwhelming highrise growth of the central business district has not translated into job growth for San Francisco. It has, in fact, been accompanied by job losses.

## More buildings, fewer jobs

The implications of the new Birch study are staggering. For two decades, city planning policy has been based on the premise that new highrise office development will mean more jobs. That assumption is explicitly stated in the environmental impact report on the Downtown Plan, and has been repeated numerous times recently by Mayor Dianne Feinstein and business leaders.



GUARDIAN PHOTO BY ANDRE CHOW

**Bluxome St. Industry: Job generation takes place outside of downtown.**

In fact, in her State Of The City speech in 1985, Feinstein announced that downtown development was creating 10,000 new jobs a year.

The results of the first Bay Guardian/Birch study, published Oct. 23, 1985, strongly suggested that the

Downtown Plan EIR and the mayor's frequent policy statements were in error. However, after studying the results, City Planning Director Dean Macris told the Bay Guardian last year that nothing in the 1985 Birch data undermined the mayor's policies. *continued page 11*

## 12,000 downtown jobs lost in four years:

Summarizing the results of the new Bay Guardian/David Birch study

### District One

**Net jobs created: -12,332**

By size of firm:

500 or more	- 5,436
100-499	- 3,498
20-99	- 2,037
0-19 employees	- 1,354
unknown	- 8

### District Two

**Net jobs created: -7,354**

By size of firm:

500 or more	- 5,044
100-499	- 32
20-99	- 914
0-19	- 398
unknown	- 976

### District Three

**Net jobs created: 9,016**

By size of firm:

500 or more	- 74
100-499	- 695
20-99	3,421
0-19 employees	5,631
unknown	733

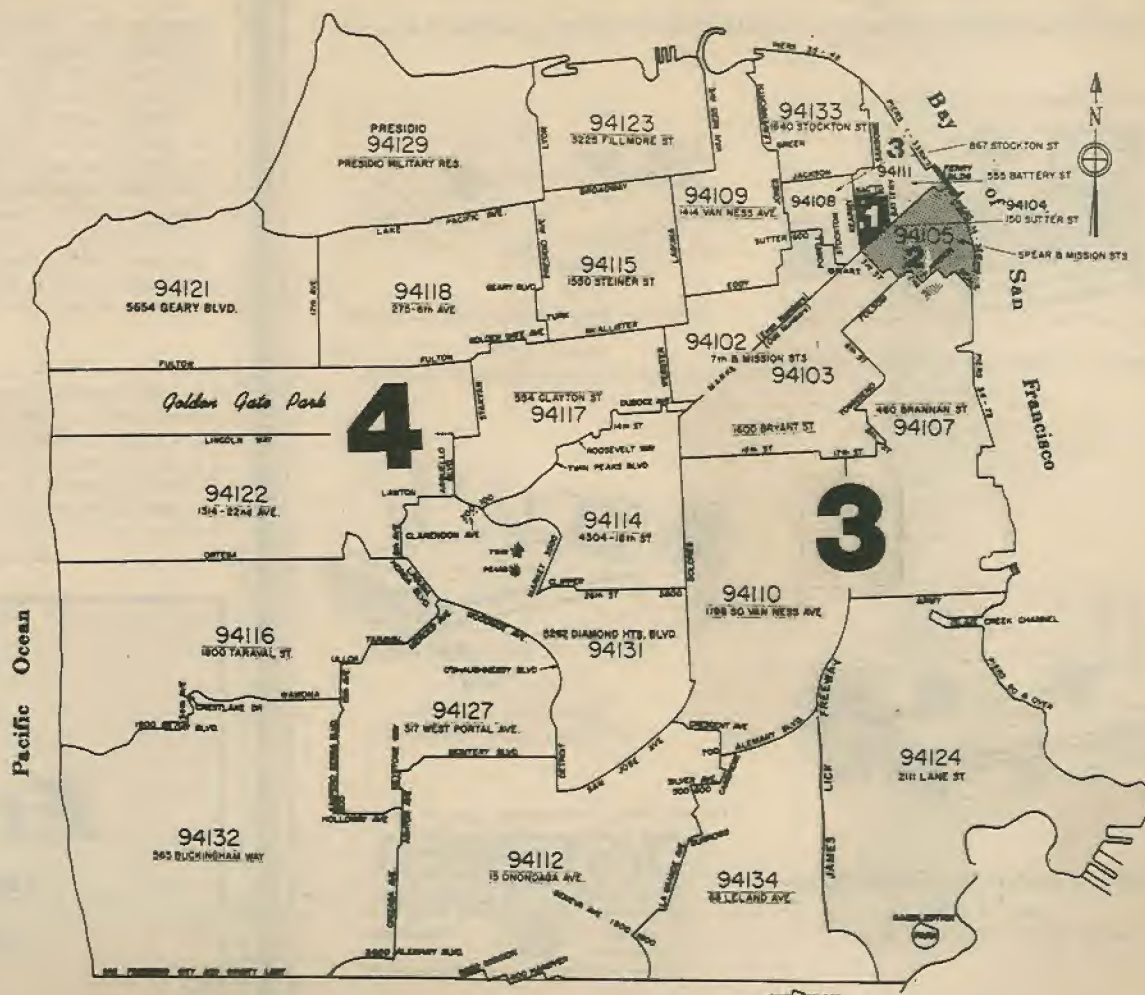
### District Four

**Net jobs created: 1,549**

By size of firm:

500 or more	83
100-499	- 1,070
20-99	- 329
0-19 employees	2,082
unknown	783

A complete copy of this study is available for examination at the Bay Guardian office. Call 824-7660 for an appointment.



The Bay Guardian/David Birch study divided the city into four geographic regions along postal Zip Code lines. The above map shows the regional

boundaries, which correspond to the job gain and loss figures in the table above left.



## The implications of the new Birch study are clear: New downtown office buildings don't create jobs.

### BIRCH STUDY

continued from page 9

Small businesses were, indeed, providing the bulk of the new jobs in San Francisco, Macris said — but many of those small companies were situated in downtown highrises.

At that time, the Bay Guardian formally asked both the City Planning Commission and the Mayor's Small Business Advisory Commission to hire Birch for a more extensive study — one that would analyze job growth by geographic region. Both agencies refused.

This fall, with the issue of downtown development and the legitimacy of the mayor's Downtown Plan once again before the voters, the Bay Guardian did what the city would not, and commissioned the in-depth geographic study.

#### Big firms, big losses

The study divided the city into geographic regions, corresponding roughly to the central Financial District north of Market Street (Zip Code 94104), the highrise business district south of Market Street (Zip Code 94105), the light industrial areas south of Market, in the Mission, along Third Street and in the Hunters Point/Bayview Region, and the neighborhood commercial districts elsewhere in the city (see map).

In the first district, Zip Code 94104, the new Bay Guardian/Birch study shows a net loss of 12,332 jobs between 1981 and 1985. The largest net job loss was in the finance/insurance/real estate industry, where employment declined by 3,440 jobs. Employment dropped by 2,071 in the business services sector and by a total of 1,340 in other service-sector industries. Oil and gas companies in the district posted a loss of 3,335 jobs in the period.

Large corporate headquarters were the largest contributors to the job loss, the new Birch study shows. Companies with more than 100 employees accounted for 72% of the net job loss in the Financial District. The smallest loss reported was for companies with fewer than 19 employees, which accounted for 11% of the net decline.

In the second district, Zip Code 94105, the net job loss revealed by the study was also striking. Between 1981 and 1985, the city lost a net total of 7,354 jobs in that district. A massive loss of 7,385 jobs in the transportation and utilities sectors was offset slightly by a modest gain of 1,018 jobs in manufacturing, the study shows.

Again, large companies accounted for most of the loss. Firms with more than 100 employees lost 5,076 jobs, or 69% of the district total. But as in the first district, companies of every size posted a net job loss.

During the study period, the ribbons were cut on more than 20 new San Francisco office buildings, with a total of more than ten million available square feet of office space — roughly one-sixth of the total square footage currently available downtown. Virtually all these new buildings are in the first and second districts analyzed in the Bay Guardian/Birch study.

#### Empty promises, buildings

The results of the new Birch study

section of the economy that is declining," he said. "The firms that are growing and expanding can't afford to pay \$35 a square foot for office space, so a lot of those buildings will end up vacant."

However, some elected officials and downtown business leaders have challenged that assertion, saying many of the office buildings constructed in recent years are occupied largely by small, growing companies.

"The problem with your analysis," Supervisor Bill Maher told the Bay Guardian recently, "is that the small companies you're talking about are located in those big buildings."

Mark Buell, a local real estate consultant, made that same argument in a study released in May. "The size and

continued page 14

are consistent with the observation Birch made last year in interpreting his first Bay Guardian study. "You can't create jobs by building new, high-rent offices that appeal overwhelmingly to a



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# Small businesses? In highrises?

A Bay Guardian research team surveyed seven new highrise and turned up only a handful of small businesses. Here is a

## By number of employees in total company

	1-20	20-100	100 +
Number of companies	23	24	69
Total square feet	73,700	248,900	2,455,011
% square feet	2.65	8.96	88.39
Total employees in buildings	174	752	7,955
% employees in buildings	1.99	8.47	89.54

## By age

	1-4 years	5-10	10 +
Number of companies	15	19	83
Total square feet	65,200	140,400	2,571,711
% square feet	2.35	5.06	92.59
Total employees in buildings	173	319	8,389
% employees in buildings	1.95	3.59	94.46

## By ownership

	Independent	Branch or subsidiary
Number of companies	41	75
Total square feet	451,500	2,325,811
% square feet	16.26	83.74
Total employees in buildings	1,329	7,552
% employees in buildings	14.96	85.04

101 California Street (left) is one of seven buildings surveyed by the Bay Guardian. The results are tabulated below, building by building.

### 101 California. 1983. 1,265,000 sq. ft.

Sample: 59 companies; 1,014,860 sq. ft.; 3,331 employees. 12 companies declined to respond. Tenants by business: law: 17; banking and investment: 12; insurance: 8; computers: 5; personnel recruiting: 4; real estate: 3; others: 10.

#### By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	6	13	38
Total sq. ft.	31,000	161,800	822,060
% square feet.	3.05	15.94	81.00
Total employees in building.	63	561	2707
% employees in building.	1.89	16.84	81.27

#### By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	19	40
Total sq. ft.	303,500	711,360
% square feet.	29.91	70.09
Total employees in building.	964	2,367
% employees in building.	28.94	71.06

#### By age.

	1-4 years	5-10	10 +
Number of companies.	7	6	46
Total sq. ft.	35,000	64,000	915,860
% square feet.	3.45	5.31	90.24
Total employees in building.	90	150	3,091
% employees in building.	2.70	4.50	92.80

### 150 Spear. 1983. 255,000 sq. ft.

Sample: 1 company; 245,000 sq. ft.; 400 employees.

Tenants by business: banking and investment: 1 (and only).

#### By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	—	—	1
Total sq. ft.	—	—	245,000
% square feet.	—	—	100
Total employees in building.	—	—	400
% employees in building.	—	—	100

#### By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	—	1
Total sq. ft.	—	245,000
% square feet.	—	100
Total employees in building.	—	400
% employees in building.	—	100

#### By age.

	1-4 years	5-10	10 +
Number of companies.	—	—	1
Total sq. ft.	—	—	245,000
% square feet.	—	—	100
Total employees in building.	—	—	400
% employees in building.	—	—	100

### 201 Mission (Pacific Gateway Building); 1983; 540,000 sq. ft.

Sample: 2 companies (the only); 448,600 sq. ft.; 1,100 employees.

Tenants by business: banking and investment: 1; real estate: 1.

#### By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	—	—	2
Total sq. ft.	—	—	448,600
% square feet.	—	—	100
Total employees in building.	—	—	1,100
% employees in building.	—	—	100

#### By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	—	2
Total sq. ft.	—	448,600
% square feet.	—	100
Total employees in building.	—	1,100
% employees in building.	—	100

#### By age.

	1-4 years	5-10	10 +
Number of companies.	—	—	2
Total sq. ft.	—	—	448,600
% square feet.	—	—	100
Total employees in building.	—	—	1,100
% employees in building.	—	—	100

### Ecker Square, 25 Jessie. 1983. 111,000 sq. ft.

Sample: 7 companies; 76,000 sq. ft.; 296 employees. 1 company declined to answer.

Tenants by business: banking and investment: 3; insurance: 1; accounting: 3.

#### By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	4	—	3
Total sq. ft.	4,000	—	72,000
% square feet.	5.56	—	94.44
Total employees in building.	19	—	275
% employees in building.	6.42	—	93.58

#### By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	4	3
Total sq. ft.	4,000	72,000
% square feet.	5.56	94.44
Total employees in building.	19	275
% employees in building.	6.42	93.58

#### By age.

	1-4 years	5-10	10 +
Number of companies.	1	3	4
Total sq. ft.	1,000	3,000	72,000
% square feet.	1.39	4.17	94.44
Total employees in building.	4	15	275
% employees in building.	1.41	5.01	93.58

### 101 Market (Federal Reserve Building). 1983. 653,000 sq. ft.

Sample: 4 companies; 653,000 sq. ft.; 2,871 employees. All tenants responded.

Tenants by business: law: 2; banking: 1; telephone company: 1.

#### By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	—	2	2
Total sq. ft.	—	54,600	598,700
% square feet.	—	8.32	91.68
Total employees in building.	—	71	2,600
% employees in building.	—	2.67	97.33

#### By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	1	3
Total sq. ft.	36,200	616,800
% square feet.	5.54	94.46
Total employees in building.	50	2,621
% employees in building.	1.87	98.13

#### By age.

	1-4 years	5-10	10 +
Number of companies.	—	1	3
Total sq. ft.	—	36,200	616,800
% square feet.	—	5.54	94.46
Total employees in building.	—	50	2,621
% employees in building.	—	1.87	98.13

GUARDIAN PHOTO BY THOMAS ALLEMAN



# Where?

## office buildings — summary of what they found.

"The size and types of firms locating in [highrise office] buildings correspond to the growth sectors of the economy."

— Real estate consultant Mark Buell, in a March, 1986 study.

BY TIM REDMOND

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Nearly 90% of the office space in recently occupied downtown high rises is leased by companies with more than 100 employees, a recently conducted Bay Guardian survey shows.

The survey of seven major buildings that opened their doors in 1983 or 1984 shows that only a tiny percentage of the new first-class office space is occupied by the types of companies that are the city's leading job generators.

A Bay Guardian research team contacted 112 individual companies with offices in the seven buildings. Together, they filled some 2.7 million square feet of space and employed 8,883 people.

The results confirm the data in a new study on job generation in the city by Massachusetts Institute of Technology economist David Birch (see main story) and directly challenge the statement of downtown business leaders who claim that new highrises benefit small businesses.

Five of the seven buildings opened in 1983, and the other two in 1984. Real estate analyst Ken Sproul of the Rubicon Group told the Bay Guardian that a fair survey should not include buildings the have been open less than two years, since newer buildings are likely to have high vacancy rates that would distort the findings.

The Bay Guardian Downtown Study Task Force that prepared the building by building study was: Teresa Renaker, Dieter Tremp, Donna Gouse and David Goldsmith.

**353 Sacramento. 1983. 277,000 sq. ft.**  
Sample: 32 companies; 181,851 sq. ft.; 675 employees.  
Tenants by business: law: 4; banking and investment: 6; insurance: 3; computers: 3; real estate: 2; others: 14.

By number of employees in total company.			
	1-20	20-100	100+
Number of companies.	10	6	16
Total sq. ft.	31,700	25,000	125,151
% square feet.	17.43	13.75	68.82
Total employees in building.	85	112	478
% employees in building.	12.59	16.59	70.82

By ownership.		
	Independent.	Branch or subsidiary.
Number of companies.	14	18
Total sq. ft.	56,300	125,551
% square feet.	30.96	69.04
Total employees in building.	186	489
% employees in building.	27.56	72.44

By age.			
	1-4 years	5-10	10+
Number of companies.	6	8	18
Total sq. ft.	15,200	30,200	136,451
% square feet.	8.36	16.61	75.03
Total employees in building.	61	97	517
% employees in building.	9.04	14.37	76.59

The seven buildings surveyed were: 101 California; 150 Spear; 201 Mission; 25 Jessie; 101 Market; 353 Sacramento; and 580 California.

### Few small firms

Overall, the survey showed, 2.45 million of the 2.77 million square feet of total space — 88% — was occupied by companies with 100 or more employees. Of the 8,883 employees working in the buildings, 7,955 — 89% — worked for companies with more than 100 total employees.

Only 2.6% of the space was occupied by firms with fewer than 20 employees, and those employees accounted for just 1.9% of the total workforce in the buildings.

According to the first Bay Guardian/Birch study, released in October 1985, small, locally owned independent businesses account for virtually all of the net job growth in San Francisco. Further, the study shows, most of the rapidly growing forms that provide new employment opportunities are less than five years old.

The second study, which is detailed in the accompanying story, confirms and updates those conclusions and analyzes job growth by geographical sector of the city.

Very few of the firms in the seven buildings surveyed fit the characteristics Birch attributes to job-generating companies. Of the 112 firms, just 23 — about 20% — employed fewer than 20 people, 41 were independent and just 15 were less than five years old.

### Macris claim disproven

The findings are significant because, continued next page

**580 California. 1984. 340,000 sq. ft.**  
Sample: 11 companies; 158,000 sq. ft.; 410 employees. 1 company declined to answer.  
Tenants by business: law: 1; banking and investment: 5; insurance: 1; real estate: 3; consulting: 1.

By number of employees in total company.			
	1-20	20-100	100+
Number of companies.	1	3	7
Total sq. ft.	7,000	7,500	143,500
% square feet.	4.43	4.75	90.82
Total employees in building.	7	8	395
% employees in building.	1.71	1.95	96.34

By ownership.		
	Independent.	Branch or subsidiary.
Number of companies.	3	8
Total sq. ft.	51,500	106,500
% square feet.	32.59	67.41
Total employees in building.	110	300
% employees in building.	6.42	93.58

By age.			
	1-4 years	5-10	10+
Number of companies.	1	1	9
Total sq. ft.	14,000	7,000	137,000
% square feet.	8.86	4.43	86.71
Total employees in building.	18	7	385
% employees in building.	4.39	1.71	93.90

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## BUILDINGS

continued from previous page

in the wake of the 1985 Bay Guardian/Birch study, city officials and downtown business leaders began to argue that small businesses do, indeed, create jobs — but that they also locate in highrises.

That argument was first put forward in a letter from Planning Director Dean Macris to the Bay Guardian subsequent to the publication of the 1985

Birch study. The letter, published in the Bay Guardian Nov. 13, 1985, states that "Leasing reports from real estate sources indicate that the majority of firms downtown are using less than 20,000 square feet of space. This translates to fewer than 55 employees. The [Downtown Plan] EIR survey indicates that many of the firms downtown are small businesses employing fewer than 100 people.

"The Birch report has no evidence . . . that that these contribu-

tors to job growth all occupy space outside of downtown," Macris wrote. "The fact of the matter is that the Birch report clearly indicates that . . . job sectors that have registered the strongest growth are likely to locate in downtown."

Macris refused at the time to identify his "real estate sources." A Bay Guardian survey of available leasing reports from Rubloff Brokerage and Management Services showed that there had, indeed, been quite a few

transactions for less than 20,000 square feet of space — but most of the companies leasing those small blocks of space were giant conglomerates — Xerox and General Electric, for example. And Macris also declined to explain that the entire downtown EIR survey involved only 58 firms — and was taken in 1981 and never updated. The Bay Guardian found very little evidence of small, locally owned independent firms situated in highrise office space downtown.

Nonetheless, the Macris claim quickly became the basis for downtown's response to the Birch study. The Bay Guardian formally asked both the City Planning Department and the Mayor's Small Business Advisory Commission to hire Birch to conduct a detailed, geographic study that would resolve the issue — but both agencies refused.

The lack of hard data didn't stop Feinstein from announcing, in her October 1986 Economic Overview Report, that "outmigration among larger firms [downtown] has been off-set by strong growth among smaller businesses." And in ballot arguments against Proposition M, the growth control measure on the November Ballot, five members of the mayor's Small Business Advisory Commission claim that the measure "will force the cost of office space to

skyrocket . . . making it too expensive for new small businesses to locate in San Francisco and prevent existing firms from expanding and providing jobs for San Franciscans."

### Little evidence offered

When the Bay Guardian asked the authors of every major ballot argument against Prop. M to provide evidence for their claims, most could provide nothing. Richard Morten, associate director of the Chamber of Commerce, responded by sending to the Bay Guardian a copy of Mark Buell's March 1986 study on employment in downtown office buildings, which purports to demonstrate that highrises are filled with small businesses — just the type that Birch identified as job generators.

As the Bay Guardian pointed out in the May 7, 1986 issue, Buell's study is riddled with errors and shortcomings. But the seven-building survey and the new Birch study go much, much further. Together, the new data demonstrates beyond refutation that small, locally owned independent businesses — the city's major job generators — have little use for new highrise office buildings.

The policy conclusion is inescapable: If the city wants to promote job growth, the worst thing it can do is approve the construction of any more downtown highrise office buildings. ■

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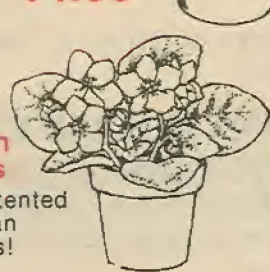
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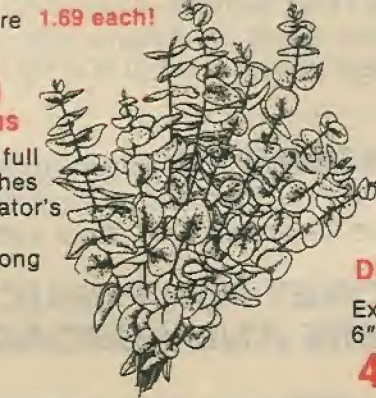
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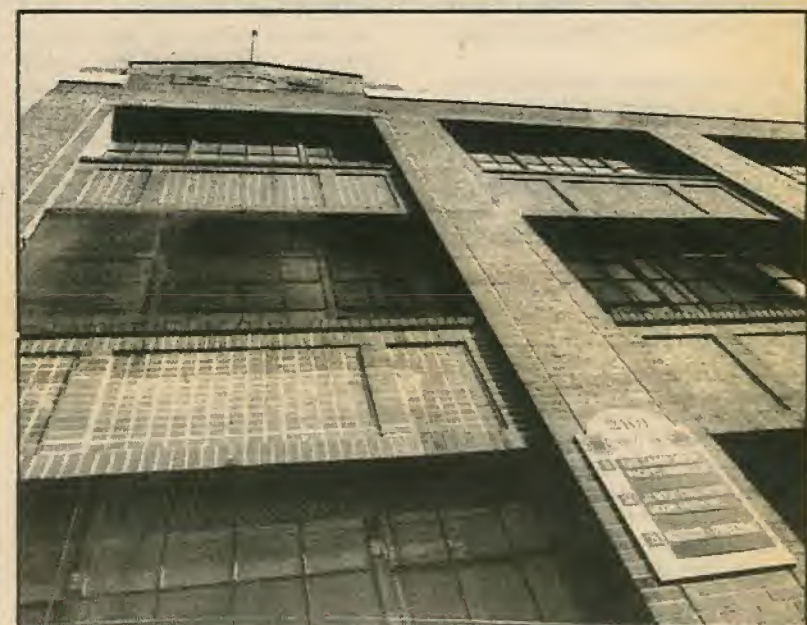
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### Diffenbachia

Exotic! 6" pot

**4.99**



A converted industrial building on Bryant St.: Small, job-generating businesses are locating in light industrial areas, not downtown highrises.

## BIRCH STUDY

continued from page 11

types of firms located in [downtown office] buildings correspond to the growth sectors of the economy," his study states.

And in the June 1985 issue of *San Francisco Business*, Chamber of Commerce Executive Director John Jacobs wrote that "their [small businesses] need for office space [has] resulted in continued downtown construction."

Birch, however, said his new study only confirms what the Bay Guardian suggested last year. "Nothing in the data contradicts what you've been saying," he noted in a recent interview.

An independent Bay Guardian survey of seven major downtown office buildings further confirms the results of the Birch study. The survey team contacted 112 individual companies in seven buildings that opened in 1982 and 1983 and that are fully or almost fully occupied. Nearly 90% of the 2.7 million square feet of space in those buildings is currently occupied by companies with more than 100 employees (see sidebar) — companies of the size that the study shows lost the most jobs.

### Where the jobs are

Outside the Financial District, the

city's job growth picture is considerably brighter — and, not surprisingly, what growth there is due largely to the sorts of companies that can't afford highrise rents: small, locally owned independent firms that have been in business less than five years.

District three of the new study includes most of the light industrial and warehouse space on the eastern and southeastern edges of the city (see map). Those areas had the largest net job growth in the city, the Birch study shows.

Between 1981 and 1985, employment in this district grew by 9,016 jobs. Companies with fewer than 20 employees were the largest contributors to job growth, posting a net gain of 5,631 jobs. Companies with more than 100 employees actually lost some jobs in the district, the study shows — employment in those large firms dropped by 769 jobs during the study period.

Small service-sector firms were the largest contributors to job growth in district three. In the category of business services alone, companies with fewer than 20 employees posted a net gain of 2,428 jobs over the four-year period. Small printing and publishing companies added 420 jobs, and small real estate companies added 628.

continued page 23

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GUARDIAN GRAPHIC BY DEBBIE DRECHSLER

## HALLOWEEN

continued from page 18

the Wizard of Oz and Ronald McDonald. Oct. 26th, 11 am-2 pm. The Cannery, 2801 Leavenworth, 771-3112.

## EAST BAY

**Amicable House of Horrors.** Hosted by the Oakland Jaycees to benefit Special Olympics, this event features scenes of the living dead, maniacal science run amok and torture chambers of Moorish delight enacted by volunteers from Bay Area high school drama clubs. Thurs., Oct. 23rd through Fri., Oct. 31st. Mon.-Fri., 6:30-11 pm; Sat. and Sun., noon to 11 pm. Sunday's matinee (noon to 4 pm) is especially designed for the curious but not so courageous. \$4 at the door, \$3.50 in advance. HDK Plaza, 1451 Harbor Bay Parkway, off Doolittle in the Harbor Bay Business Park, Alameda. 523-1799.

**Pre-Halloween Bazaar.** Hosted by the New School of Berkeley, a nonprofit, multi-cultural day care center and nursery school, the bazaar presents a large selection of Halloween costumes and costume makings, books, baked goods and rummage for sale at low prices. Activities include face painting, hot food and live music by the "Backsliders." Proceeds go to the New School scholarship fund. Mon., Oct. 25th,

10 am-4 pm. 1606 Bonita at Cedar, Berk. 548-9165.

**Scary Stories.** Presented by Berkeley Public Library. Mon., Oct. 27th, 7 pm, Young People's Room, Main Library, 2090 Kittredge, 644-6783; Tues., Oct. 28th, 3:30 pm, Claremont Branch, 2940 Benvenue, 644-6880; Wed., Oct. 29th, 3:30 pm, West Branch, 1125 University, 644-6870; 7 pm, North Branch, 1170 The Alameda, 644-6850; Thurs., Oct. 30th, 3:30 pm, South Branch, 1901 Russell, 644-6860.

## PENINSULA

**Halloween Fest.** Witches and ghosts await your arrival with tricks, games, stories, crafts and treats for everyone in costume. There will be a slide show, "Halloween in the Forest" at 1:30 and 3 pm. Bring your specially carved pumpkin — and enter the pumpkin contests for scariest and most original pumpkins. Oct. 26th, 1-4 pm. Free with museum admission (\$1; 50 cents for seniors and children 6-17; free to children under 6). Coyote Point Museum for Environmental Education, Coyote Point, San Mateo. 342-7755.

This guide was compiled with the assistance of JoAnn Cabello, Eileen Ecklund, Donna Gouse and Candace Groskreutz.

**Between 1981 and 1985, the city lost a total of 6,076 jobs, due largely to huge declines in employment in large headquarters companies.**

## BIRCH STUDY

continued from page 14

In the fourth district, which includes most of the residential and neighborhood commercial areas in the city, employment grew modestly, by 1,549 jobs, during the study period. Again, the growth was concentrated in the service sector — and again, companies with fewer than 20 employees provided the overwhelming majority of new jobs.

In district four, businesses with fewer than 20 employees accounted for 2,082 net new jobs. In companies with 100 or more employees, employment dropped by a total of 987 jobs.

### SF's economy below par

Citywide, the study shows that San Francisco's economy performed slight-

ly below that of the rest of the nation over the past three years. Between 1983 and 1986, San Francisco's economy grew by 2.2%, while the United States as a whole grew 2.9%.

Between 1981 and 1985, the Bay Guardian/Birch study shows, the city lost a total of 6,076 jobs, due largely to huge declines in employment in large headquarters companies. Firms with more than 100 employees lost a total of 12,924 jobs citywide, the study shows, while firms with between 20 and 99 employees lost 896. Those losses were offset partially by a gain of 8,972 jobs in businesses with 19 or less employees.

When the data is broken down by ownership status, the study shows that local headquarters were the source of the greatest job loss, posting a decline

continued next page

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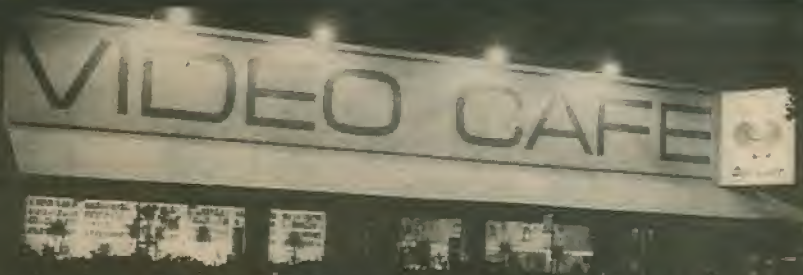
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# DINING OUT

continued from previous page  
of 9,323 employees. Branches of locally based companies posted the greatest expansion: an increase of 8,425 jobs.

## Hard to find a job

In the early days of the battles over office development in San Francisco, downtown business leaders argued that highrises were the "economic salvation" of the city. But in recent years, as the many negative impacts of development have become apparent, the debate has shifted almost entirely to the issue of jobs. In fighting against a 500,000-square-foot annual limit on highrise office construction last year, for example, Supervisor Carol Ruth Silver dubbed the Downtown Plan "The Limit Job Growth Ordinance." In a ballot argument against the 1985 highrise moratorium measure, Proposition F, Walter Johnson, the head of the Central Labor Council, stated that "San Francisco's one source of new jobs is work in downtown offices."

Those arguments have a fatal flaw: they are based on the premise that developers build new buildings in response to a demand for office space. The same claim is made in the EIR on the Downtown Plan. That document, prepared under the direction of Macris, states that "the forecasting methodology [in the report] follows the logic that space is built to accommodate employment growth."

## Highrise tax shelters

For at least two years, however, economists around the country have been noting that the nation's commercial office development market is in no way based on a demand for office space — or on employment growth in industries that use highrise offices. The market, they say, has been driven instead by a huge surplus of investment capital and by favorable tax laws that make commercial real estate an attractive investment even when it doesn't yield immediate profits.

In other words, for several years, investors have been willing to pour money into constructing new office buildings even if those buildings are likely to be vacant or only partially occupied for many years to come. Birch noted that the new tax law passed by Congress this year will "put a little bit of discipline into the market." However, he warned, it won't necessarily end the boom of highrise development — even in San Francisco, where vacancy rates are approaching 20%.

"There's still an awful lot of capital out there with no place to go," he told the Bay Guardian recently. "The only way to really control this market is for cities to start linking new highrise approvals to demonstrated demand for space."

## Driving them out

The implications of the new Bay Guardian/Birch study's findings are obvious: new office buildings don't create jobs. Small business create the jobs — and they don't, by and large, locate in highrise office buildings.

In fact, the new Birch study suggests that the city's development policies are driving small businesses — and thus jobs — out of downtown, and in some cases out of town. Small printing companies, for example, were responsible for 421 new jobs in light industrial areas — but in the lower South of Market region where most of the new highrise development has occurred in recent years, 160 printing jobs were lost in small companies.

Small wholesalers created 343 new jobs in district three — but in district two, 370 wholesale jobs were lost. In district two, 25 jobs were lost in small repair service outlets — and small repair companies created 126 new jobs in district three.

The Bay Guardian sought comment from city planning and development

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officials on the results of the new study. Little, however, was forthcoming. Macris failed to return Bay Guardian telephone calls, as did Toby Rosenblatt, president of the City Planning Commission. Bill Witte, director of the Mayor's office of Housing and Economic Development, said he could not comment until he had seen the study report.

#### The Prop. M factor

Proposition M, the growth control measure on the November ballot, directs the city to adopt a consistent and enforceable Master Plan that would require that new development be oriented toward creating new jobs for San Francisco residents. Given the picture of the city's economy provided by this new study, development under Prop. M would be steered away from downtown highrises and toward renovation and construction of low-cost commercial space that serves small, rapidly growing local businesses.

Opponents of Prop. M are citing the Downtown Plan as the "reasonable" alternative that "hasn't had a chance to work." In her ballot argument against the measure, Mayor Feinstein states that "Proposition M is not needed to control growth downtown. . . . Strong, effective controls are already in place, and they are working."

#### A new planning policy

Feinstein's line is hardly surprising. For 20 years now, neighborhood and environmental groups have been exposing the factual flaws and bankrupt economic assumptions behind the city's planning policy — and for 20 years, city officials have been ducking, bobbing and weaving, changing their statements and claims and offering "alternatives" to deflect the barrage. And always, the ultimate result has been the same: more highrises.

But the downtown forces are running out of arguments. They have acknowledged that downtown development has negative impacts on the city's quality of life. They have accepted the fact that highrise office buildings cost more in city services than they provide in tax revenues. They have been forced by the sheer brunt of evidence to agree that the city's infrastructure can't handle much more development.

But still, they have clung to the argument that highrises create jobs — and that strict limits, like Prop. M, will hurt employment opportunities for San Franciscans.

The new Bay Guardian/Birch study undercuts that argument and provides some of the strongest evidence to date in support of a fundamental change in city planning policy. And the growing support for Prop. M suggests that, if city officials won't take that final step, the citizens of San Francisco are prepared to take it for them. ■

#### LOCAL COLOR

continued from page 5

eyes. Because the panorama of the past has moved across memory so stealthily that I didn't even know I had forgotten: the iridescent lizards, the ocean, California.

It's as if you had this thing going with a nice woman — a little naive, maybe. You put the old rush on her, getting and sending mash notes, having little dinners at Andre's in North Beach, but you're not really serious. And she is always half mad, half *alluring* because of course she knows. After a while a fight is inevitable; she drags you to a nursing home to sing Christmas carols and many of the old people don't even turn around in their seats to looksee and it's so horrible that you both come down with a thump from the excitement of Mission Street in December and you split even before

continued next page

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California Living  
SF Sunday Examiner June 9, 1985

"Cafe Gitanes brings French flavor to Tunisian delicacies."

—SF Business Journal  
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